



STATE OF MICHIGAN

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GOVERNOR

DEPARTMENT OF MANAGEMENT & BUDGET
LANSING

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SBA bond refinancing to save State \$40.1 million

Today's closing on more than \$847 million in bonds issued by the State Building Authority will save \$40.1 million on capital outlay rent through 2017.

"This refinancing package will generate phenomenal savings for more than a decade," said Governor Jennifer M. Granholm. "It is another example of the many ways government is seeking and taking advantages of opportunities to cut operating costs and save money for Michigan taxpayers."

Favorable financial conditions on the day the bonds were priced contributed to the successful refinancing.

"Aug. 22 was a very good day in the bond market, which allowed us to achieve even greater savings than we anticipated," said Lisa Webb Sharpe, director of the Department of Management and Budget, which houses the SBA.

The total bond package of \$847,366,158 includes \$833,631,158 in tax-exempt bonds and \$13,735,000 in taxable bonds and carries an interest rate of 4.8 percent. The SBA regularly refinances and restructures debt to obtain more favorable rates. Since 2003, the building authority has saved more than \$1.237 billion.

The bond transaction, which is similar to refinancing a home mortgage, allows the payoff of a number of SBA bonds issued in 2002, 2003 and 2005. These payoffs enabled cancellation of 14 leases between the state and the SBA, saving approximately \$40 million annually for fiscal years 2007 through 2015, \$28 million in 2016, and \$20 million in 2017.

The SBA has legislative authority to issue and sell bonds and notes to finance construction of needed capital outlay projects by the State, including projects at universities and colleges. The bonds spread costs over a portion of the life of the project. The SBA leases the financed facilities to the public bodies, using the rent it collects to repay the bonds.

Since its creation in 1964, the SBA has financed more than 200 projects approaching \$3 billion in construction costs. The principal of bonds and notes issued by the SBA may not exceed \$2.7 billion.

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